

Star columnist gets it wrong by pushing ACC vote on UniSource sale

By Kris Mayes

SPECIAL TO THE ARIZONA DAILY STAR

Star business columnist Richard Ducote recently criticized me and one other corporation commissioner for asking too many questions and taking too long to decide whether Arizona should allow an out-of-state investment firm to purchase UniSource Energy Services, the parent company of Tucson Electric Power.

Specifically, the columnist is upset that Commissioner Bill Mundell and I have been asking to see the rate of return projections made by the proposed buyers Kolberg Kravis and Roberts, Wachovia Capital Partners and JP Morgan Partners.

I believe these projections - and what they may say about the proposed buyout of the state's second largest regulated utility - are relevant.

Mr. Ducote writes that he thinks we should move on and vote. That view ignores the lessons of history.

After all, a lack of careful review and scrutiny may have contributed to the near-collapse of TEP in the late 1980s.

Perhaps if commissioners at that time had asked a few more questions, demanded more proof, dug for additional documentation, the disaster that befell TEP might have been averted.

But it was not, and as a result, ratepayers of TEP were asked to pick up the tab in the form of a rate increase. TEP eventually recovered, and now its leaders are asking to sell the company.

The stakes in this proposed buyout are too high for the ACC simply to take TEP and KKR's word that this deal is a good one for Arizona consumers.

The ACC has a duty to every customer of TEP and of UniSource's other utilities throughout the state to investigate thoroughly each aspect of the sale.

We are currently in the process of making that examination. Commissioners and an administrative law judge heard testimony in Tucson and conducted public comment sessions throughout Arizona.

The judge now is in the process of writing a recommended opinion and order on the matter.

The commission will cast a final vote before the end of the year.

In his column, Mr. Ducote states, "Most people reached the conclusion long ago that the proposed buyout of UniSource by a group of private investors was a nonevent. TEP will remain a fully regulated utility subject to close oversight."

I suggest that the ratepayers who lived through TEP's travails in the 1980s and 1990s and who were pressed to bail out the company might disagree.

It is unlikely that they have concluded the ACC should cease asking tough questions, or the sale of a multi-billion monopoly is a "nonevent."

I agree with Mr. Ducote that some things at the commission could use a little expediting.

But this proposed deal is not one of them.